

**SECRET**OFFICE OF REPORTS AND ESTIMATESTRANSPORTATION GROUP

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## SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

The Czechoslovak National Airline, CSA, has not given up hope of establishing a direct air connection between Prague and Istanbul, via Belgrade and Sofia, and has also been pressing Turkey for the right to extend its present Istanbul flights (via Rome and Athens) onward to Ankara, Beirut, Baghdad and Tehran. (Item No. 1, B)

UK authorization for overflight by the Polish airline LOT, of the UK Zone of occupation, Germany (in connection with recently arranged Belgian-Polish reciprocal air services), probably will not be granted pending current US-UK discussions regarding a common policy of containing the Satellite airlines. (Item No. 2, C)

Acquisition of a substantial interest in Air Ceylon by Australian National Airlines, Pty. (ANA), represents the most recent manifestation of this airline's determination to build up its strength and continue its resistance to the Australian Government's program for the absorption of all Australian civil airlines into the Government-owned Trans-Australia Airlines (TAA). Although ANA initiative and imagination have provided a temporary respite for the company, it is not likely that it can oppose Australian policy indefinitely, and the odds remain in favor of eventual Government control of all Australian civil aviation. (Item No. 3, C)

The Honduran Minister of War has labelled the irregular air carrier, Transportes Aereos de Honduras, an illegal organization. The managing director of the carrier, furthermore, is reported to be under investigation by Italian police. (Item No. 4, B)

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The French, Italian, and Swiss Governments are now taking steps to enforce strict compliance, by US irregular air carriers, with their local regulations. (Item No. 5, B)

The action of the Swiss Government in holding a Mexican C-46 aircraft, suspected of being destined for Israel, is indicative of its desire to cooperate with the US and UN in the prohibition of clandestine air traffic to the Near East. The incident again illustrates the lack of effective control over the movement of aircraft in non-scheduled international operations. (Item No. 6, B)

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**SECTION II. CURRENT DEVELOPMENTS****CIVIL AVIATION**

1. The Czechoslovak National Airline, CSA, has not given up hope of establishing a direct air connection between Prague and Istanbul, via Belgrade and Sofia. Past attempts to establish this route have been consistently blocked by Bulgaria's reluctance to permit CSA's operation of the Sofia-Istanbul segment. Unconfirmed reports now indicate that Bulgaria may be willing to permit CSA's aircraft to fly along a corridor from Sofia to Burgas on the Black Sea, and thence over water to Istanbul. This would be to the disadvantage of Turkey, however, which has no air agreement with Bulgaria and therefore could not make flights to Prague by this direct route.

The Czechoslovaks have also been pressing Turkey for the right to extend CSA's present Istanbul flights (via Rome and Athens) onward to Ankara, Beirut, Baghdad and Tehran. The Czechoslovak-Turkish bilateral air agreement gives the Czechoslovak airline the right to operate air services through Turkey to "other countries beyond." Turkey, which is not inclined to further Czechoslovak air expansion in the Near East, may therefore be faced with the choice of either granting the request or abrogating its air agreement with Czechoslovakia. In any event, the Czechoslovaks will find it increasingly difficult to secure operating rights in the Arab countries (See T/G Summary No. 38), in view of Czechoslovak air operations to Palestine, and there is even some doubt that they can maintain their landing rights at Athens (See T/G Summary No. 36).

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2. A Belgian-Polish civil air arrangement, negotiated in connection with recent trade agreements, grants the Polish airline (LOT) and the Belgian air carrier (SABENA) the right to establish reciprocal air services between Warsaw and Brussels. Since Polish aircraft flying the proposed route must overfly the British occupation zone in Germany, Poland notified the UK of LOT's intention to inaugurate the Warsaw-Brussels air service by mid-December, indicating that the new route would form part of LOT's present operations between Warsaw and Paris, which the UK previously authorized. However, the British have refused to accept the Polish view, and will probably require the Poles to request separate overflight privileges. In view of pending US-UK discussions with regard to the adoption of a common policy of containing Satellite airlines, it is unlikely that the UK will act on such a request at this time.
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3. Acquisition of a substantial interest in Air Ceylon by Australian National Airlines, Pty. (ANA), represents the most recent manifestation of this airline's determination to build up its strength and continue its resistance to the Australian Government's program for the absorption of all Australian civil airlines into the Government-owned Trans-Australia Airlines (TAA).

ANA was organized in 1936 at the request of the Commonwealth Government. By 1944 it had firmly established its domestic operations and was in a position to develop routes to Europe and Asia. In 1945, however, the Australian Government adopted a policy of nationalized air transport and formed Trans-Australia Airlines (TAA) as its chosen instrument, with authorization to purchase privately-owned airlines. With the exception of ANA, all important airlines (including Qantas Empire Airways and Guinea Airways) voluntarily joined the consolidation. TAA also acquired the Australian Government's shares in British Commonwealth Pacific Airlines (BCPA) and Tasman Empire Airways. As a result of ANA's recalcitrance, the Government is now subjecting the company to stiff retaliatory competition in the form of: drastic cuts in TAA fares on routes paralleling ANA; denial of Government permits for development of ANA ground facilities; introduction of onerous route charges; and a discriminatory reduction in Government-controlled gasoline allotments.

The foregoing measures have not prevented ANA from continuing a steady and profitable growth. Although the company has been unable to secure the necessary Government permits for any international operations except its lucrative contract to transport migrants for the International Refugee Organization from Paris to Sydney, it has found other overseas outlets by indirect means. For example, it has purchased a 40 percent interest in Cathay Pacific Airways, Ltd., of Hong Kong, which operates a route from the UK to Sydney via Manila, Port Moresby and Darwin. The acquisition of its 49 percent interest in Ceylon Airways will enable ANA to participate under a management contract in the development of a UK-Ceylon route. ANA also proposed to operate a Trans-Pacific route under contract for the Chinese National Airways Corporation, but failed in this venture due to refusal of the Chinese Government to approve the operation.

Although ANA initiative and imagination have provided a temporary respite for the company, it is not likely that it can oppose Australian policy indefinitely, and the odds remain in favor of eventual Government control of all Australian civil aviation.

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4. The Honduran air carrier, Transportes Aereos de Honduras, which has recently attempted to purchase aircraft allegedly for the transportation of DP's from Italy to Australia (See T/G Summary Nos. 31 and 32), has now come under fire from both the Honduran and Italian Governments. The Honduran Minister of War has labelled Transportes Aereos an illegal organization and has indicated that its use of the Honduran flag would be unlawful. According to a Swiss aviation journal, moreover, the managing director of the line is under investigation by Italian police. STAT

5. The French, Italian, and Swiss Governments are now taking steps to enforce strict compliance, by US irregular air carriers, with their local regulations. There has been a marked increase of operations by these carriers in Western Europe in connection with the transport of DP's to Palestine. Many such operations are carried out with flagrant disregard for the air traffic controls and clearances required by countries through which these aircraft pass. For example, Associated Air Transport, a US irregular carrier, has admittedly carried out at least seven round-trips between Marseille and Haifa without the required French clearances. Other US aircraft have been ferried to France from the US without advance clearances.

France's temporary prohibition of all non-scheduled flights between France and Palestine reflects its desire to strengthen existing controls in order to prevent UN truce violations in French territory. Delay in lifting the ban may also indicate an attempt to devise controls for the protection of its own carriers against foreign competition, and to arrange for the participation of private French irregular operators in the profitable DP traffic to Palestine. The Italian Government has indicated that it will not grant future clearances to Associated Air Transport, apparently as a result of the unauthorized use by that carrier of Italian airfields en route to Haifa, and the Swiss Federal Air Office is now maintaining closer surveillance of irregular air traffic through Geneva. STAT

6. The Mexican C-46 aircraft (XB-JED) which has been held by the Swiss Government at Geneva, on suspicion that the aircraft is destined for Israel, is owned by Proveedora Mundial of Mexico City. This company has been affiliated with the US-owned Service Airways (See T/G Summary No. 31), whose clandestine and illegal activities in support of Israeli forces have resulted in criminal prosecution in US courts.

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Under existing control laws, the US Government could not have prevented the departure of this foreign-registered aircraft from the US, early in November, since its documentation was apparently in order and it was not found to be carrying contraband. The US crew which ferried the aircraft to Europe was apparently under orders to deliver it in Geneva to agents for the British Air Span Travel Company. Prior to their departure from Geneva, the crew indicated to Swiss authorities that the aircraft would be flown to Israel.

This action of the Swiss Government is indicative of its desire to cooperate with the US and UN in the prohibition of clandestine air traffic to the Near East. However, if the alleged transfer of this aircraft to Air Span has been legally accomplished and there is no direct evidence that it is actually destined for Israel, it is unlikely that the Swiss will choose to continue to hold the aircraft. In any event, the incident again illustrates the lack of effective control over the movement of aircraft in non-scheduled international operations.

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